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14 August 19[illegible]

MEMORANDUM FOR: DEPUTY DIRECTOR (ADMINISTRATION)

SUBJECT: Project Review Committee Procedure

1. While you were away, a project came before the PRC from the Eastern European Division, DPC, involving legal and financial transactions [redacted] Certain steps had been taken at the request of the area desk, others directly initiated by CCG, and others by Commercial Division, with the result that no one part asserted or accepted responsibility for the way the matter had been handled, which was unnecessarily expensive, incidentally. 25X1

25X1 2. Today another project came up, [redacted] with approvals from the case officer, CCG and Commercial Division. Only one set of papers came up. They involved $77,000. There is a hint in the papers that part of the funds will be used to pay off one of the principals, but there is no balance sheet, no income account and no breakdown of the purposes for which the funds are requested — all of which are elementary requirements of any investor or banker from whom funds are requested.

3. The above two incidents convince me that we have set up mechanics far too complicated for our needs with the result that responsibility is dispersed and efficiency defeated. I recommend that the CCG be abolished and that one person from Finance be given the burden of assuring that regulations are complied with by Commercial Division. This should be the only function of this financial officer. It is further recommended that Commercial Division be streamlined, reduced to not more than two men, and given only one function, namely: to see that normal business standards are set up on projects and either met or, where for operational reasons they cannot be met, that this fact be pointed out to the PRC. The functions of the Commercial Division should be purely advisory and the responsibility left with the case officer. Under this conception, it should be possible for the case officer to request a different set-up from that advised by the Commercial Division which would then file its recommendations and dissent with the PRC. The sole purpose of the Commercial Division, under this conception, would be to see that the case officer is informed as to what business standards are and to advise the PRC that the case officer has or has not set his project up in conformance with such standards. The Commercial Division should be authorized to retain consultants [redacted] 25X1

25X1 [redacted]

4. I have been over a list of all projects in DPC and there are not too many for two good men to handle on an advisory basis as suggested above.

25X1 5. We have today too many cooks working on this stew, and the presentation of the [redacted] project is conclusive evidence that none of them is doing a competent job.

Orig & 1 - addressee
2 - signer

Stuart Hedden
Inspector General

MORI/CDF

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